



# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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May 16, 2005

To: Supervisor Gloria Molina, Chair  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

## SACRAMENTO UPDATE – GOVERNOR RELEASES MAY BUDGET REVISION

Last Friday, Governor Schwarzenegger released his May Revision to his January Budget Proposal which sought to close an \$8.6 billion budget gap and provide for a \$500 million budget reserve. Fortunately for the Governor and the State, revenue collections and estimates have increased significantly since January, allowing for the restoration of a number of budget items recommended for reduction in January. **The most significant budget changes that impact the County include restoration of \$1.3 billion in Proposition 42 transportation funds, partial restoration of the Property Tax Administration Grant Program sufficient to fully fund most counties (including Los Angeles County), \$90 million to reimburse counties for prior year claims under AB 3632 – mental health services to special education pupils, and full funding of the Juvenile Justice Grant Program. In addition, the Governor is recommending repayment of approximately half the Vehicle License Fee (VLF) Gap Loan to local governments a year early. The attachment compares the impact on the County of the January and May Proposals.**

While revenue estimates for the current and budget years have increased approximately \$8 billion since the January Budget, the May Revision only uses some of these revenues to restore budget reductions. The reason for this cautious approach is that the Administration maintains that most of the new revenues are either temporary or one-time in nature. An estimated \$4 billion was collected from corporations who have

tax disputes with the State but took advantage of the interest and penalty free window provided by the tax amnesty program in the event they lose their claim. The Administration's position is that virtually all of this money will either have to be repaid to corporations or will reduce future year revenue. As a result, the Revision states that only \$200 million is available to be spent. Similarly, despite a projected \$2.3 billion increase in personal income tax revenues in the current year, the forecast growth for next year has been reduced to reflect the Administration's belief that most of the current year's increase is a result of capital gains that will not reoccur in FY 2005-06. Consequently, the Administration insists that most of the new revenues should not be used to restore budget cuts to ongoing programs but should be used to reduce what the State already owes.

The question of how much of this money can be used for one-time versus ongoing programs is certain to be an issue as the Legislature takes up the budget in the coming weeks. Hopefully, the Legislative Analyst's Office (LAO) analysis, scheduled to be released this week, will shed more light on how much of the new revenue should be considered one-time and not available for ongoing expenditure which can be used to fund programs.

The May Revision continues the Governor's rejection of increased taxes as part of the budget solution. As a result of the increased revenues, the revised budget uses less borrowing to close the budget gap, relying instead on one-time revenues to replace \$1.7 billion in deficit bond proceeds and \$1.3 billion to reverse the suspension of Proposition 42. In addition, almost \$600 million is used to pay half the VLF gap loan a year early, \$90 million is set aside to partially reimburse counties for prior year claims for mental health services to special education students, and an additional \$900 million has been set aside in the reserve to reflect the negative impact of amnesty in the budget year. As a result, the estimated structural budget gap in future years, which the LAO had estimated at \$4 billion in FY 2006-07 under the Governor's January Budget, will be considerably less under the May Revision. Moreover, there would be approximately \$3.7 billion in deficit bond proceeds available to help close the budget gap in an election year without a tax increase.

While the May Revision is generally good for counties, it does not restore all of the cuts contained in the January Budget. However, budget subcommittees in the Legislature, which will now take up the budget in earnest, have already restored some of these items like the Governor's proposed reduction in State financial participation in the wages and benefits of In Home Supportive Services workers and the Governor's proposed suspension of three election mandates.

At the time the January Budget was released, the Governor identified a number of controversial structural reforms that he said were necessary to bring State spending under control. Some of these have been dropped such as the elimination of defined benefit pension plans for public employees and merit pay for teachers. However, others are still being pursued as constitutional amendments both in the Legislature and

through the initiative process, including major changes to the Proposition 98 guarantee for K-14 school funding, elimination of the Legislature's ability to suspend Proposition 42 transportation funding to deal with budget shortfalls after FY 2006-07, a prohibition against General Fund borrowing from other State funds, and the granting of extraordinary power to the Governor to impose a balanced budget if the Legislature is unable to act within 45 days after the Governor calls a special session to address a mid-year imbalance, or within 30 days of the emergency proclamation in the case of a late budget.

### ***MAY REVISION HIGHLIGHTS***

In our analysis of the Governor's January Budget, we focused on proposals most likely to impact or to be of interest to the County and the people it serves. In order to provide a complete picture of the Governor's total budget, the following analysis repeats the January recommendation and then notes **in bold** if the May Revision changed the recommendation.

#### **General Government**

**VLF Gap Loan.** The May Revision provides \$593.4 million to repay almost half the amount of VLF revenue that cities and counties did not receive in FY 2003-04 due to the suspension of the VLF backfill. Repayment is not required until FY 2006-07. Since the County has already securitized its repayment amount, this will not provide any additional funds.

**SB 90 State Mandated Local Programs.** Since deferral of local government reimbursement is no longer an option because of Proposition 1-A, the Administration in January proposed the suspension of a number of local government mandates entirely, eliminating the State's obligation to reimburse local governments that maintain the programs. In addition, the Administration proposed repayment of currently deferred amounts over a period of up to 15 years, rather than 5 years. The State currently owes the County over \$200 million. **The May Revision eliminates the suspension of the Peace Officer Bill of Rights (POBOR) mandate and augments the budget by \$18.1 million to provide full funding for the POBOR mandate in FY 2005-06. In addition, it provides \$90 million to partially reimburse counties for prior year claims for mental health services provided to special education students. However, it does not appear to provide full funding for mandates identified by the LAO as only partially funded in the January Budget.**

**Property Tax Administration Grant Program.** The January Budget proposed a \$5.7 million reduction statewide to this program which would have resulted in an estimated \$1.4 million loss to the County. **The May Revision fully restores the program for most counties at a cost of \$2.5 million. The remaining \$3.2 million in reductions is achieved through the elimination of grant funds for counties that**

**have not participated in the program or do not generate savings for the State. The \$1.4 million reduction for the County is fully restored.**

**Los Angeles County Detection and Trapping.** The May Revision does not change the January proposal to augment funding by \$760,000 for full year funding of staff for containment and eradication of fruit flies and pests.

**Tax Relief Programs.** The May Revision proposes to restore \$40.6 million for the Senior Citizens' Property Tax Assistance Program and fully restore \$100.8 million for the Senior Citizens' Renters' Tax Assistance Program.

**Office of Emergency Services.** The May Revision provides an additional \$35 million to the State Office of Emergency Services to fund the State's share of the costs of response and recovery efforts related to the winter rainstorm disasters in Southern California. Some of these State funds, along with Federal Emergency Management Agency and Federal Highway Administration funds, will finance a significant portion of the storm damage costs in Los Angeles County.

**California State Library.** The May Revision makes no change to the proposed \$71.6 million funding level or the proposed reductions that include \$2.2 million from the Public Library Foundation program, \$.83 million from the Library Development Program, and \$.27 million from the English Acquisition Program, for a total \$3.3 million General Fund reduction in local assistance. According to the County Librarian, the County's share of the reduction will be \$220,000.

## **Health**

**Medi-Cal.** The January Budget projected expenditures to be \$34.1 billion in FY 2005-06, including \$12.9 billion General Fund. **The May Revision projects Medi-Cal expenditures to increase by \$514.9 million from the January Budget to an overall level of \$34.6 billion. Among the reasons for the increase are \$144.6 million related to implementation of a nursing facility quality assurance fee which maximizes Federal funds, and \$101.4 million attributable to various cost and utilization changes.**

**Medi-Cal Program Redesign.** The May Revision makes no changes to the Medi-Cal redesign elements proposed in the January Budget which included: 1) a projected savings of \$24.8 million from capping the Medi-Cal dental benefit package at \$1,000 annually for adults, 2) \$3.4 million to expand use of managed care for families and children in up to 13 additional counties and shift aged, blind and disabled participants into managed care plans, 3) \$6.8 million to establish monthly premiums for individuals with incomes above the poverty level and for seniors and persons with disabilities above the SSI/SSP level, 4) \$.98 million to streamline enrollment for children through processing by the Single Point of Entry vendor instead of counties, and 5) \$.61 million for County performance standards monitoring.

**Medi-Cal Funding for Los Angeles County.** The May Revision projects continuation of cost-based payments for the County's outpatient clinics. This funding stream, known as Cost-Based Reimbursement Clinics, was to expire June 30, 2005. CBRC reimbursement is included in the Department of Health Services' fiscal forecast and its continuation will prevent the DHS deficit from getting worse.

**Expanding Health Insurance Coverage for Children.** The May Revision makes no changes to the January Budget proposal to enhance health insurance coverage for children through the following increases: 1) \$5.9 million in General Fund and \$8.6 million in matching Federal funds to re-establish application assistance fees, 2) \$5.6 million to establish Medi-Cal/Healthy Families Bridge Performance Standards to ensure that counties comply with the requirement to forward applications to the Healthy Families Program for children who are no longer eligible for Medi-Cal, and 3) \$.91 million in FY 2005-06 from the First 5 California Children and Families Commission as the State's share to obtain Federal financial participation for technical assistance to counties providing local, low-cost health coverage to children not eligible for Medi-Cal or Healthy Families.

**Healthy Families Program.** The May Revision includes an overall increase of \$3.1 million for the Healthy Families Program in the current year based on new data projections and an assumption that the Certified Application Assistance Program will be restored in the current year. It also projects an increase of \$64.4 million in the budget year above the Governor's Budget due to growth, capitation rate increases, and implementation of the Certified Application Assistance Program. The May Revision funds an average 2.9 percent rate increase for managed care plans participating in the Healthy Families Program.

**Proposition 99 – Cigarette and Tobacco Products Surtax Fund.** The May Revision reflects an \$11 million increase for Proposition 99 revenues in the current year, and a \$321 million increase in the budget year, which appear to be due to a reduction in tax evasion. These funds would provide one-time increases for tobacco control and smoking prevention activities, for tobacco related disease prevention, and for the Rural Health Services Program and the California Healthcare for Indigents Program.

**California Obesity Initiative.** The May Revision makes no change to the Governor's proposal to include \$6 million General Fund for a comprehensive obesity prevention program to promote healthy eating, regular physical activity, and responsible choices by individuals.

**Prescription Drugs for the Uninsured.** The Governor's Budget included \$4 million General Fund to implement the California Rx (Cal Rx) Program to provide prescription drugs for an estimated 4 million Californians with ongoing prescription drug needs. **The May Revision proposes an additional \$7.8 million for the program.**

**Streamlining Hospital Construction Review.** The May Revision makes no change to the Governor's proposal to sponsor legislation to allow hospitals to contract with an independent plan reviewer for large hospital construction projects.

**Public Health.** In the Governor's Budget, State expenditures for all public health programs and State administration totaled \$3.5 billion (\$703 million General Fund), an increase of \$53.5 million in general funds. **The May Revision includes a reduction of \$17.9 million, in the current year, and a reduction of \$31.7 million in FY 2005-06, to reflect a decrease in caseload and health care costs in the California Children's Services, Child Health and Disability Prevention, and the Genetically Handicapped Persons programs.**

**Newborn Screening Program Expansion.** The May Revision makes no change to the Governor's proposal to include \$15 million from the Genetic Disease Testing Fund to expand newborn screening for an additional 37 treatable genetic diseases.

**Bioterrorism Prevention and Preparedness.** The May Revision makes no change to the Governor's proposal to include \$108.6 million in Federal funds to support California's public health system's capacity to respond to bioterrorism, outbreaks of infectious diseases, and other public health threats.

**Children's Medical Services.** The May Revision makes no change to the Governor's proposal to include \$243.7 million for Children's Medical Services, an increase of \$22.7 million above the FY 2004-05 Budget.

**HIV/AIDS Treatment and Prevention.** The May Revision makes no change to the Governor's proposal to include \$381 million for the HIV/AIDS Treatment and Prevention Program administered by the Office of AIDS, an increase of \$20.1 million.

**Additional Medi-Cal Pharmacy Rebates.** The May Revision makes no change to the Governor's assumption of \$20 million in General Fund savings based on negotiated rebates for heartburn medication.

**Maximize Federal Funds for Prenatal Care.** The May Revision makes no change to the Governor's assumption of \$191 million in General Fund savings reflecting accessing Federal funding for prenatal care provided in Medi-Cal.

**Access for Infants and Mothers (AIM) Program.** The May Revision anticipates current year expenditures will increase by \$7.9 million due to increased enrollment. Budget year expenditures are expected to increase by \$15.1 million due to higher enrollment and capitation rate increases.

**West Nile Virus.** The May Revision provides a one-time \$12 million enhancement for mosquito control efforts across the state.

**AIDS Drug Assistance Program (ADAP) Rebates.** The Governor's Budget proposed \$8.8 million in General Fund savings related to higher-than-anticipated collections of drug manufacturer rebates. **The May Revision includes an increase of \$3.3 million, or 1.3 percent, in the current year, and an increase of \$4.7 million, or 1.8 percent, in FY 2005-06 from the ADAP Rebate Fund. These dollars will fund increased drug prices and increased access to covered drugs by ADAP clients.**

**Office of Bi-National Border Health.** The May Revision makes no change to the Governor's proposal to eliminate \$694,000 in General Fund support; \$500,000 in Federal funds remains to support the office's mission.

**Addressing California's Nursing Shortage.** The May Revision makes no change to the Governor's proposal to meet the forecast demand for more registered nurses between 2000 and 2010 by increasing the number of persons educated in California Community Colleges, institutions of higher education, and nontraditional education environments using Workforce Investment Act (WIA) funds. In FY 2004-05 and FY 2005-06 the Administration continues to propose allocating a combined total of \$35.6 million in WIA funds for the training of nurses and other health care workers.

### **Mental Health**

**AB 3632 Mental Health Services.** The Governor's Budget suspended the mandate which requires counties to provide mental health services to special education students. Of the \$100 million in Federal Individuals with Disabilities Education Act allocated to schools, \$69 million was provided to reimburse counties for mental health services provided to special education students.

**The May Revision: 1) repeals the mandate on county mental health (CMH) agencies to provide AB 3632 services, 2) allows Special Education Local Planning Areas (SELPA) to contract with CMH agencies to provide these services, and 3) proposes to amend existing law to ensure that special education pupils continue to have access to appropriate mental health services. The \$100 million remains with the SELPA and an additional \$90 million is allocated to CMHs to partially fund prior year mandate claims. Los Angeles County, which is owed over \$130 million for prior year claims, could receive approximately \$30 million.**

**Governor's Chronic Homelessness Initiative.** The Governor proposes to leverage existing service dollars, using capital bond financing and \$2.4 million from Proposition 63 funding, to assist counties over the next two years in developing projects to promote stable housing for homeless persons.

**Community Mental Health Services - Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT).** The Governor's Budget provided \$1.8 billion for

community mental health services, including \$801.2 million for EPSDT, an increase of \$76.7 million to cover projected claims. **The May Revision includes a \$71.9 million reduction in the current year to reflect a revised caseload projection, and a net increase of \$21.4 million in FY 2005-06.**

**Sexually Violent Predators (SVP).** The May Revision makes no change to the Governor's proposal for \$9.2 million in General Fund savings for the State hospitals in FY 2005-06 by keeping pre-commitment SVPs in local custody until they are committed by the courts as SVPs, and by transferring existing pre-commitment SVPs in State hospitals to local custody.

**SVP Treatment Restructuring.** The May Revision makes no change to the Governor's proposal for \$6 million General Fund savings for the the State Hospitals in FY 2005-06, growing to \$11 million in FY 2006-07, by restructuring supervision and treatment services provided by State hospitals to SVPs.

### **Social Services**

**CalWORKs Employment Services.** The May Revision makes no change to the Governor's Budget proposal to maintain an augmentation of \$191.9 million for employment services provided in FY 2004-05 and FY 2005-06 and continues to delete the one-time legislative augmentation for CalWORKs employment services provided in FY 2004-05, for a savings of \$50 million.

**CalWORKs Grants.** The Governor's Budget proposed to save \$212.3 million in FY 2005-06, and annually thereafter, by reducing grants by 6.5 percent. **The May Revision includes \$52.7 million due to shifting the implementation date for the proposed 6.5 percent reduction in grant levels from July 1, 2005 to October 1, 2005 to allow counties sufficient time to program their payment systems to reflect the new grant levels.**

**CalWORKs Cost-of-Living Adjustment (COLA).** The May Revision makes no change to the Governor's Budget proposal to save \$163.8 million in FY 2005-06 and thereafter by permanently eliminating the COLA.

**CalWORKs Work Sanction Requirements.** The Governor's Budget proposed to save \$12 million because of the impact of the CalWORKs reforms enacted in FY 2004-05 which strengthened work requirements. **The May Revision restores the \$12 million due to a delay by the vendor in releasing the "Sanction Report" to the Administration on the current sanction policy.**

**CalWORKs Earned Income Disregard.** The Governor's Budget proposed to save \$79.5 million in FY 2005-06 and \$109.3 million annually thereafter by reducing the



amount of income that could be earned and still retain benefits from the current \$225 and 50 percent of the remaining earned income to \$200 and 40 percent of remaining income. **The May Revision includes an increase of \$79.5 million in FY 2005-06 and \$109.3 million annually, to maintain the CalWORKs income disregard at current levels.**

**CalWORKs Pay for Performance Proposal.** The Governor's Budget proposed to save \$22.2 million in FY 2005-06 by implementing a new incentive system that bases a portion of the counties' single allocation for administration and employment services on specific outcomes of CalWORKs clients in each county. **The May Revision sets aside \$30 million in TANF Block Grant funds in FY 2005-06 for allocation to counties in FY 2006-07 that meet specific CalWORKs program outcomes, instead of withholding five percent of the counties' FY 2005-06 single allocation. The County Welfare Directors Association and the California Department of Social Services are negotiating to use unallocated Performance Incentive Funding and identify specific program outcomes.**

**CalWORKs Child Care.** The May Revision makes no change to the Governor's Budget proposal to include funding of \$461.5 million, including savings of \$50.9 million associated with cases reaching the CalWORKs 60-month time limit. The Budget proposal also included a budget reduction of \$62.6 million due to a proposed change in reimbursements.

**CalWORKs Employment Services and Administration Funding.** The May Revision makes no change to the Governor's Budget proposal to save \$42.9 million by modifying the past practice of not adjusting current year funding when updated estimates would result in lower costs.

**Tribal Temporary Assistance for Needy Families (TANF) Expenditures.** The May Revision makes no change to the Governor's Budget proposal to save \$5 million by reducing the amount of State funding provided to the tribal entities in FY 2004-05 to reflect an anticipated decline in programmatic expenditures.

**Statewide Fingerprint Imaging System.** The May Revision makes no change to the Governor's Budget proposal to include \$8.0 million for maintenance and operation, a \$95,000 increase.

**Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) System.** The May Revision makes no change to the Governor's Budget proposal to include \$13.4 million for maintenance and operation of the LEADER System, which represents a \$1 million reduction for planning costs.

**Reduction of State Participation in In-Home Supportive Services (IHSS).** The May Revision makes no change to the Governor's Budget proposal to save \$152.1 million General Fund in FY 2005-06 and \$216.8 million thereafter, by reducing the maximum

level of IHSS provider wages and benefits in which the State will participate from the current \$10.10 per hour to \$6.75 per hour.

**Suspend State Participation in Increased Contract Costs for IHSS.** The May Revision makes no changes to the Governor's Budget proposal to save \$42.7 million annually by maintaining State participation in wages and in health benefits at the level of funding in the 2004 Budget Act (12 counties negotiated contracts to increase IHSS service provider wages/benefits since the 2004 Budget Act). **However, the May Revision includes an increase of \$4.3 million General Fund in FY 2004-05 for counties that increased IHSS wages and/or health benefits since the Governor's January Budget.**

**Naturalization Services.** The May Revision makes no changes to the Governor's Budget Proposal to eliminate the program for a savings of \$1.5 million in FY 2005-06 and annually thereafter, noting that the State Department of Education provides similar services.

**Foster Care.** The Governor's Budget proposed \$2.2 billion for Child Welfare Services, including expanded implementation of a Standardized Safety Assessment System. Additionally, it proposed legislation to allow the State to pass on to counties a portion of future Federal penalties associated with non-compliance by California with the Federal Child and Family Services Review. **The May Revision reduces funding by \$11.9 million in FY 2004-05 and \$19.1 million in FY 2005-06 compared to the Governor's January Budget because of a reduced caseload projection and a slight reduction in average grants since the Governor's January Budget.**

**Child Welfare Services.** The May Revision includes \$589.7 million in FY 2004-05 and \$629.5 million in FY 2005-06, which represent decreases of \$23.1 million in 2004-05 and \$15.6 million in FY 2005-06 compared to the Governor's January Budget because of a lower caseload projection and the transfer of additional Federal TANF Block Grant funding to the Federal Social Services Block Grant (Title XX) for eligible family reunification and permanent placement activities since the Governor's January Budget.

The May Revision proposes to redirect FY 2005-06 funding and FY 2004-05 savings to establish a Child Welfare System (CWS) Program Improvement Project. Specifically, the plan would continue the implementation and evaluation of CWS Program Improvement Plans (PIP) that are currently underway in 11 counties, including Los Angeles County, funded at the FY 2004-05 appropriation level. Additionally, it would delay expansion to a second cohort of counties, pending evaluation of the first pilot group. In addition, it redirects \$5.9 million originally proposed for PIP expansion activities to support county System Improvement Plans (SIP).

## **Justice and Public Safety**

**Juvenile Justice Reform.** The May Revision includes \$3.1 million from the General Fund to begin juvenile justice reform implementation. It suggests that this will be a long-term effort, but does not include any specific reform proposals.

**Juvenile Justice Crime Prevention Act.** The Governor's Budget eliminated current year grant funding of \$100 million, shifting \$25 million to the Board of Corrections for negotiations with counties on assuming increased responsibility for a number of changes in the juvenile justice system the Administration proposed. The County currently receives \$28 million in grants, and would not have been impacted until the next budget year because the program is funded a year in advance.

**The May Revision proposes to:** 1) shift \$25 million in juvenile crime prevention funds from the Board of Corrections back to the Local Government Financing budget (JJCPA) for allocation on April 1, 2006, providing only the three months of funding needed during the fiscal year, 2) include a one-time augmentation of \$1.1 million from the General Fund for interest that will be lost by counties for the nine months of funding they will not receive in FY 2005-06, and 3) restore the full \$100 million General Fund allocation for JJCPA beginning in FY 2006-07. The Administration also proposes to withdraw proposed trailer bill language that would have de-linked JJCPA from the COPS program. The proposal would result in a FY 2005-06 State General Fund savings of \$73.9 million.

**Probation TANF Funding.** The May Revision makes no change to the Governor's proposal to provide \$201.4 million in Federal TANF funding for juvenile probation services. TANF funds had been deleted from this program for the current year.

**Youthful Offenders Parole Responsibility.** The May Revision makes no change to the Governor's proposal to shift supervisory responsibility for paroled youthful offenders from the California Youth Authority to counties due to a projected decline in parolees

## **Transportation**

**Proposition 42.** The Governor's Budget proposed to suspend for two years the transfer of \$1.3 billion in sales tax revenue for transportation to be repaid over 15 years, including \$254 million to cities and counties that will impact street repaving in the unincorporated areas. **The May Revision instead proposes full funding which will provide \$24.7 million to Los Angeles County. The Governor continues to support a constitutional amendment to prohibit further suspension of Proposition 42 beginning in FY 2007-08.**

### **Natural Resources and Environmental Protection**

**Natural Resources.** The May Revision makes no changes to the Governor's Budget proposal to include \$164.7 million in local assistance funding from Proposition 50 and Proposition 13 bond funds to fund projects that improve water quality.

**Environmental Protection.** The Governor's Budget proposed to increase appropriations for the Air Resources Board by \$69.6 million, including \$30.5 million for the full-year funding for the Carl Moyer Program authorized in FY 2004-05, and a \$25 million increase to provide additional mobile source emissions mitigation grants to local air districts. It reduced overall funding to the State Water Resources Control Board by \$305 million with most of the decrease due to less bond money being available in FY 2005-06. **The May Revision includes an augmentation of \$12.5 million in Air Pollution Control Funds for the Carl Moyer Program, which provides incentive grants to reduce emissions from heavy-duty diesel-powered vehicles and equipment. This brings the total funding for the Carl Moyer Program to \$98.5 million in FY 2005-06.**

### **Judicial**

**Trial Court Funding.** The May Revision makes no change to the proposed increase in funding by \$220.4 million to \$2.7 billion, due primarily to the restoration of a one-time reduction, a baseline budget adjustment, and a growth factor augmentation. In addition, there is no change to the proposed transfer of \$14 million from Judicial to Trial Court funding for trial court operations.

**Undesignated Trial Court Fees.** The May Revision makes no change to the proposal for the reauthorization of the \$29 million transfer of undesignated trial court fee revenue from counties to the State trial court system. This transfer, which was agreed to by counties as part of the FY 2003-04 budget, was supposed to be for no more than two years and is scheduled to sunset at the end of this fiscal year. The County's share of the existing \$31 million transfer is \$9.8 million.

We will continue to keep you advised.

DEJ:GK  
MAL:JR:ib

#### **Attachment**

c: All Department Heads  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
Local 660

**ESTIMATED LOSS TO LOS ANGELES COUNTY  
FROM THE GOVERNOR'S PROPOSED FY 05-06 BUDGET  
(Dollars in Millions)**

|   | <u>January</u>  | <u>May Revision</u> |
|---|-----------------|---------------------|
| Reduction in State Participation in IHSS Wages / Benefits       | \$ 74.4         | \$ 74.4             |
| Suspension of State Mandates                                    | 33.3            | 33.3                |
| AB 3632 Program Prior Year Claims Repayment                     | 0               | (30.0)*             |
| Elimination of Juvenile Justice Crime Prevention Act (JJCPA)    | 27.9            | 0**                 |
| Probation:  | \$15.0          |                     |
| Mental Health   | 5.5             |                     |
| DCFS  | .6              |                     |
| District Attorney   | .3              |                     |
| DHS/Alcohol and Drug  | 1.1             |                     |
| Parks / Recreation  | .5              |                     |
| Sheriff   | .4              |                     |
| Community / Senior Services                                     | .2              |                     |
| CDC / Housing   | .6              |                     |
| Non-County Recipients   | 3.6             |                     |
| Public Works: Suspension of Proposition 42 Transportation Funds | 24.7            | 0                   |
| Undesignated Court Fees: Continuation of Transfer               | 9.8             | 9.8                 |
| Assessor: Reduction in Property Tax Grant Program               | 1.4             | 0                   |
| DPSS: Leader Reduction  | .2              | .2                  |
| Public Library: Reduction in Library Foundation                 | .2              | .2                  |
| <b>Total Estimated Loss***</b>                                  | <b>\$ 171.9</b> | <b>\$ 87.9</b>      |

\* Estimate assumes the County is one-third of total claims.

\*\* The Administration proposes to achieve one-time savings by adjusting the timing of the JJCPA allocation and fully restoring the program for future years. There is no impact to the County because the JJCPA Program is forward funded.

\*\*\* The Total Estimated Loss does not reflect the Administration's proposal for advance repayment of 50% of the Vehicle License Fee (VLF) Gap loan which was owed to local governments in FY 06-07. The County will receive an estimated \$98.7 million payment, but it would not have an impact because the County securitized the loan in FY 04-05.

*This table represents the loss of State funds based upon the Governor's January Budget and May Revision. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.*